

Agency Proposed Budget

The following table summarizes the total executive budget proposal for the agency by year, type of expenditure, and source of funding.

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	112.54	2.50	2.50	117.54	3.50	2.50	118.54	118.54
Personal Services	4,232,051	1,152,701	121,499	5,506,251	1,223,916	121,745	5,577,712	11,083,963
Operating Expenses	2,847,908	738,304	55,216	3,641,428	554,176	55,336	3,457,420	7,098,848
Equipment	224,525	351,500	50,000	626,025	2,500	0	227,025	853,050
Grants	4,184,119	85,000	0	4,269,119	807,962	0	4,992,081	9,261,200
Transfers	0	0	5,000,000	5,000,000	0	0	0	5,000,000
Debt Service	2,282	0	0	2,282	0	0	2,282	4,564
Total Costs	\$11,490,885	\$2,327,505	\$5,226,715	\$19,045,105	\$2,588,554	\$177,081	\$14,256,520	\$33,301,625
General Fund	578,626	75,839	5,226,715	5,881,180	41,183	177,081	796,890	6,678,070
State/Other Special	8,683,632	1,751,754	0	10,435,386	1,760,126	0	10,443,758	20,879,144
Federal Special	1,911,040	262,008	0	2,173,048	636,174	0	2,547,214	4,720,262
Proprietary	317,587	237,904	0	555,491	151,071	0	468,658	1,024,149
Total Funds	\$11,490,885	\$2,327,505	\$5,226,715	\$19,045,105	\$2,588,554	\$177,081	\$14,256,520	\$33,301,625

Agency Description

The Department of Agriculture, required by Article XII, Section 1, of the Montana Constitution, was established to encourage and promote the interests of agricultural and allied industries in Montana. To this end, the department:

- Strengthens and diversifies the Montana agriculture industry through private-public partnerships
- Collects and publishes agricultural production and marketing statistics relating to agricultural products
- Assists, encourages, and promotes the organization of farmers institutes, agricultural societies, fairs, and other exhibition of agriculture
- Adopts standards for grade and other classifications of farm products
- Coordinates the planning and maintenance of economical and efficient marketing distribution systems
- Gathers and distributes marketing information concerning supply, demand, price, and movement of farm products
- Regulates production and marketing of food and fiber products
- Registers pesticides and fertilizers and enforces laws pertaining to them

Agency Highlights

Department of Agriculture Major Budget Highlights	
◆	The executive proposes a one-time-only \$5.0 million general fund transfer to the noxious weed trust fund to bring the principal of the fund to nearly \$10 million
◆	The executive restores and increases one-time-only funding from the 2007 biennium for Bovine Spongiform Encephalopathy (BSE) livestock feed inspections and testing , \$0.4 million
◆	Statewide present law adjustments totaling \$2.1 million for personal services, and \$0.08 million for inflation and fixed cost increases.

Major LFD Issues
<ul style="list-style-type: none"> ◆ Funding allocation of Centralized Management Division is not applied equally across fund types ◆ The goals and performance measures of the BSE and noxious weed trust fund proposals describe staff activities rather than the policy driving the request

Agency Discussion

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the legislature may wish to review the following:

- Goals, objectives and year-to-date outcomes from the 2007 biennium
- Goals and objectives and their correlation to the 2009 biennium budget request

Any issues related to goals and objectives raised by LFD staff are located in the program section.

Statutory Appropriation

Several programs in the department are funded with statutory appropriations. These appropriations are in statute, and consequently are not included in HB 2. Figure 1 presents the statutory reference for each appropriation, what the appropriation is for, and the actual and projected expenditures for the current and upcoming biennia.

Figure 1
Department of Agriculture
Statutory Appropriations
FY 2006 - 2009

Program	MCA Reference	Description	Fund Source	FTE Fiscal 2006	FTE Fiscal 2009	FY 2006 Base	FY 2008 Executive Budget	FY 2009 Executive Budget
Centralized Services	80-11-518	Commodity Research & Marketing	State Special			\$2,193	\$8,340	\$8,340
Ag Sciences Division	80-5-510	Ag Seed Mediation	State Special			-	3,900	3,900
Ag Sciences Division	80-4-416	Grain Liquidation	State Special			-	30,000	30,000
Ag Development Division	80-11-518	Commodity Research & Marketing	State Special			85,457	294,953	294,953
Ag Development Division	90-9-306	Growth Thru Ag Seed Capital	State Special			50,000	192,292	237,658
Ag Development Division	15-35-108	Vision 2005	General Fund	5.00	5.00	1,248,176	1,250,000	1,250,000
Ag Development Division	15-35-108	Montana Cooperative Dev Center	General Fund			65,000	65,000	65,000
GRAND TOTAL				5.00	5.00	<u>\$1,450,826</u>	<u>\$1,844,485</u>	<u>\$1,889,851</u>
Total General Fund						\$1,313,176	\$1,315,000	\$1,315,000
Total State Special						<u>137,650</u>	<u>529,485</u>	<u>574,851</u>
GRAND TOTAL						<u>\$1,450,826</u>	<u>\$1,844,485</u>	<u>\$1,889,851</u>

2007 Biennium New Initiative Update

The 2005 Legislature funded a one-time-only initiative for Bovine Spongiform Encephalopathy (BSE) livestock feed inspections and testing. The 2.50 FTE authorized in this initiative have been hired and the analytical lab equipment has been purchased and is in use. New Food and Drug Administration requirements may require additional equipment. The Governor recommends permanent funding for this initiative effective in the 2009 biennium.

Funding

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2009 Biennium Executive Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
15 Centralized Services Division	\$ 345,369	\$ 1,523,825	\$ 208,000	\$ 2,077,194	6.44%
30 Agricultural Sciences Division	5,606,478	12,102,111	4,462,262	22,170,851	68.69%
50 Agricultural Development Division	726,223	7,253,208	50,000	8,029,431	24.88%
Grand Total	<u>6,678,070</u>	<u>20,879,144</u>	<u>4,720,262</u>	<u>32,277,476</u>	100.00%

The Department of Agriculture is funded from general fund, state special revenue, federal special revenue, and proprietary funds. Proprietary funds are excluded from the above agency proposed budget table and HB 2. However, proprietary funds are presented and discussed in the budget analysis in the various programs in the department that use proprietary funds. Also excluded from the agency proposed budget table and HB 2 are statutory appropriations for the several programs administered by the department. See Figure 1 in the Agency Discussion section at the beginning of the agency narrative for a summary of statutory appropriations for the current and upcoming biennia.

The Governor proposes adding new programs to the department in the 2009 biennium, as well as restoring several programs that were funded with one-time-only appropriations by the 2005 Legislature. Per state statute, one-time-only appropriations are excluded from the base expenditures for biennial budget projections.

The Governor funds the new and restored programs with general fund. A portion of the statewide present law adjustments would also be funded with general fund. General fund would increase \$5.2 million, 477 percent, from the doubled FY 2006 base in the 2009 biennium. Proposals include:

11. Bovine Spongiform Encephalopathy (BSE) -- \$0.4 million to continue the one-time-only funding approved by the 2005 Legislature; and
12. Noxious Weed Trust Fund -- \$5.0 million to add to the trust, bringing the trust principal to nearly \$10 million which would result in more income available for weed management programs.

State special revenue would increase \$3.5 million, 20 percent, from the doubled FY 2006 base in the 2009 biennium for present law adjustments recommended by the Governor and for statewide present law adjustments. Federal special revenue would increase \$0.9 million, or 23 percent from the doubled FY 2006 base in the 2009 biennium for present law adjustments recommended by the Governor and for statewide present law adjustments.

Biennium Budget Comparison

The following table compares the executive budget request in the 2009 biennium with the 2007 biennium by type of expenditure and source of funding. The 2007 biennium consists of actual FY 2006 expenditures and FY 2007 appropriations.

Biennium Budget Comparison								
Budget Item	Present Law Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	Present Law Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Biennium Fiscal 06-07	Total Exec. Budget Fiscal 08-09
FTE	115.04	2.50	117.54	116.04	2.50	118.54	112.54	118.54
Personal Services	5,384,752	121,499	5,506,251	5,455,967	121,745	5,577,712	9,445,400	11,083,963
Operating Expenses	3,586,212	55,216	3,641,428	3,402,084	55,336	3,457,420	5,439,074	7,098,848
Equipment	576,025	50,000	626,025	227,025	0	227,025	485,178	853,050
Grants	4,269,119	0	4,269,119	4,992,081	0	4,992,081	10,573,610	9,261,200
Transfers	0	5,000,000	5,000,000	0	0	0	0	5,000,000
Debt Service	2,282	0	2,282	2,282	0	2,282	4,582	4,564
Total Costs	\$13,818,390	\$5,226,715	\$19,045,105	\$14,079,439	\$177,081	\$14,256,520	\$25,947,844	\$33,301,625
General Fund	654,465	5,226,715	5,881,180	619,809	177,081	796,890	1,179,033	6,678,070
State/Other Special	10,435,386	0	10,435,386	10,443,758	0	10,443,758	18,420,310	20,879,144
Federal Special	2,173,048	0	2,173,048	2,547,214	0	2,547,214	5,634,285	4,720,262
Proprietary	555,491	0	555,491	468,658	0	468,658	714,216	1,024,149
Total Funds	\$13,818,390	\$5,226,715	\$19,045,105	\$14,079,439	\$177,081	\$14,256,520	\$25,947,844	\$33,301,625

New Proposals

The “New Proposals” table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3002 - Bovine Spongiform Encephalopathy (BSE)										
30	2.50	226,715	0	0	226,715	2.50	177,081	0	0	177,081
DP 3003 - Noxious Weed Trust Fund OTO										
30	0.00	5,000,000	0	0	5,000,000	0.00	0	0	0	0
Total	2.50	\$5,226,715	\$0	\$0	\$5,226,715	2.50	\$177,081	\$0	\$0	\$177,081

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	14.00	1.00	0.00	15.00	1.00	0.00	15.00	15.00
Personal Services	658,647	169,689	0	828,336	172,444	0	831,091	1,659,427
Operating Expenses	250,602	99,779	0	350,381	(14,638)	0	235,964	586,345
Equipment	0	18,000	0	18,000	0	0	0	18,000
Total Costs	\$909,249	\$287,468	\$0	\$1,196,717	\$157,806	\$0	\$1,067,055	\$2,263,772
General Fund	144,463	46,364	0	190,827	10,079	0	154,542	345,369
State/Other Special	612,439	193,287	0	805,726	105,660	0	718,099	1,523,825
Federal Special	89,998	23,002	0	113,000	5,002	0	95,000	208,000
Proprietary	62,349	24,815	0	87,164	37,065	0	99,414	186,578
Total Funds	\$909,249	\$287,468	\$0	\$1,196,717	\$157,806	\$0	\$1,067,055	\$2,263,772

Program Description

The Central Services Division (CSD) performs technical, fiscal, and administrative support functions for the department's internal operations and related programs. Responsibilities include accounting, budgeting, payroll, human resources, purchasing, property control, data processing, systems analysis and computer programming, equal opportunity administration, public information, and legal support to all programs within the department. Included in this division is the Director's office, which provides overall policy development for the department.

Program Highlights

Central Management Division Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The Governor recommends additional funds to develop E-government information technology services ◆ All other changes are for statewide and present law adjustments 	
Major LFD Issues	
<ul style="list-style-type: none"> ◆ Funding allocation of Centralized Management Division is not applied equally across fund types ◆ The legislative audit costs are not allocated to all department funds 	

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the Governor.

Program Funding Table Centralized Services Div						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 144,463	15.9%	\$ 190,827	15.9%	\$ 154,542	14.5%
01100 General Fund	144,463	15.9%	190,827	15.9%	154,542	14.5%
02000 Total State Special Funds	612,439	67.4%	805,726	67.3%	718,099	67.3%
02040 Wheat & Barley Research & Mktg	119,964	13.2%	77,029	6.4%	77,029	7.2%
02068 Noxious Weed Admin Account	77,467	8.5%	106,144	8.9%	101,894	9.5%
02071 Anhydrous Ammonia Account	879	0.1%	3,576	0.3%	3,576	0.3%
02192 Pesticide Groundwater Account	109,766	12.1%	190,859	15.9%	137,482	12.9%
02193 Pesticide Account	116,026	12.8%	154,000	12.9%	124,000	11.6%
02198 Fert. Groundwater Account	3,231	0.4%	3,671	0.3%	3,671	0.3%
02264 Organic Certification	-	-	18,981	1.6%	18,981	1.8%
02265 Fsi Produce	25,467	2.8%	25,404	2.1%	25,404	2.4%
02266 Commodity Dealer/Warehouse	8,055	0.9%	9,690	0.8%	9,690	0.9%
02267 Nursery Account	15,726	1.7%	18,487	1.5%	18,487	1.7%
02268 Produce Account	73,285	8.1%	46,153	3.9%	46,153	4.3%
02269 Seed Account	10,194	1.1%	7,930	0.7%	7,930	0.7%
02452 Commercial Fertilizer	18,709	2.1%	28,860	2.4%	28,860	2.7%
02453 Grain Services	-	-	66,559	5.6%	66,559	6.2%
02454 Commercial Feed	26,587	2.9%	42,722	3.6%	42,722	4.0%
02792 Apiary Account	7,083	0.8%	5,661	0.5%	5,661	0.5%
03000 Total Federal Special Funds	89,998	9.9%	113,000	9.4%	95,000	8.9%
03120 Agriculture Cmd Federal	89,998	9.9%	113,000	9.4%	95,000	8.9%
06000 Total Proprietary Funds	62,349	6.9%	87,164	7.3%	99,414	9.3%
06052 Hail Insurance	62,349	6.9%	87,164	7.3%	99,414	9.3%
Grand Total	\$ 909,249	100.0%	\$ 1,196,717	100.0%	\$ 1,067,055	100.0%

The CSD is funded from an indirect cost reimbursement from federal grants administered by the agency, from an administrative assessment charged to and from the state general fund. State general fund is used to account for any difference between the assessed amounts on the two line divisions of the agency (Agricultural Sciences and Agricultural Development Divisions) and the budgeted amount for the CSD. General fund is used to pay primarily for operating costs, not personal services, in the division.

LFD ISSUE

General Fund Comprises Large Share of Total Cost

The CSD performs the “overhead” functions of the agency, as noted in the program description section of this narrative. The division exists to support the business functions of the agency and therefore should be supported entirely by charges against the same funding sources that support the other two divisions. Currently, the general fund supporting the CSD is disproportionate compared to the average of the two other divisions in the agency. Figure 2 compares the present law funding for the other divisions of the department to the present law funding for the CSD in the 2009 biennium. The table also shows what the impact would be if funding were changed to fully account for the other funding sources.

Figure 2 Funding Sources and Alternate Calculation Centralized Services Division 2009 Biennium						
Funding Source	---2009 Biennium Present Law Executive Budget---				---Adjusted Percentage Calculation---	
	Agricultural Sciences/Develop	Percent of Total	Centralized Services	Percent of Total	Centralized Services	Percent of Total
General Fund	\$928,405	4.0%	\$345,369	15.3%	\$90,570	4.0%
State Special	18,408,715	75.0%	1,524,298	67.3%	1,698,184	75.0%
Federal Special	4,482,913	18.0%	208,000	9.2%	407,564	18.0%
Proprietary	837,571	3.0%	186,578	8.2%	67,927	3.0%
Total	\$24,657,604	100.0%	\$2,264,245	100.0%	\$2,264,245	100.0%
						Difference
						(\$254,799)
						173,886
						199,564
						(118,651)
						\$0

**LFD
ISSUE (CONT.)**

As shown on the table, the general fund comprises a larger portion of the CSD than the average of the two other divisions. If general fund was budgeted in the CSD at the same funding ratio as the other two divisions, general fund would be reduced over \$250,000 in the 2009 biennium. Non-general fund would be reduced in other divisions and allocated to the CSD.

Option A – Fund the CSD with general fund at the average funding ratio as the other two divisions in the department.
Option B – Maintain the executive budget funding recommendation.

**LFD
ISSUE****Proprietary Fund**

CSD could move to a proprietary fund mechanism to charge the two functional divisions for services. This mechanism would translate into a more direct economic/business model and may reduce general fund expenditures. The other divisions would be charged a legislatively-approved uniform rate of sufficient amount to fund the operations of this division and would make this payment with the funds used to support the division. In this way, the funding sources would be equitably assessed.

Option A – Direct the CSD to move to a proprietary model for accounting for its departmental overhead activity.
Option B – Maintain the current funding methodology.

**LFD
ISSUE****Audit Costs**

The department charges 100 percent of its legislative audit costs to the general fund, even though the general fund comprises only five percent of total HB 2 base funding. Other state agencies with multiple funding sources allocate legislative audit costs to all funds. In addition, state law requires the expenditure of nongeneral fund money whenever possible before using general fund (17-2-108, MCA).

Total legislative audit costs projected for the 2009 biennium for this agency are \$41,124. Allocating 95 percent of this cost to nongeneral fund sources would reduce the general fund obligation by \$39,068, have minimal impact on the agency's other funding sources, and comply with state law.

Option – Fund audit costs with five percent general fund and 95 percent other funds.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				154,090					156,876
Vacancy Savings				(32,508)					(32,622)
Inflation/Deflation				654					772
Fixed Costs				2,338					(34,470)
Total Statewide Present Law Adjustments				\$124,574					\$90,556
DP 1501 - Program 15 Base Budget Adjustments									
0.00	0	0	5,000	5,000	0.00	0	0	5,000	5,000
DP 1502 - E-Government IT-OTO									
1.00	51,894	87,250	18,000	157,894 *	1.00	49,250	0	0	62,250 *
Total Other Present Law Adjustments									
1.00	\$51,894	\$87,250	\$23,000	\$162,894 *	1.00	\$49,250	\$0	\$5,000	\$67,250 *
Grand Total All Present Law Adjustments				\$287,468 *					\$157,806 *

**LFD
COMMENT**

The statewide present law personal services adjustment includes the implementation and annualization of the FY 2007 pay plan approved by the 2005 Legislature (\$55,000), funds for a 1.0 FTE position transferred to this division from the Agriculture Development Division in FY 2006 but not filled until FY 2007 (\$41,000), and restoration of salaries and benefits for vacancy savings realized in FY 2006 (\$56,000).

DP 1501 - Program 15 Base Budget Adjustments - This executive budget includes \$10,000 federal special revenue for the 2009 biennium for two foreign agricultural trips within the director's office and in-house staff development and training.

DP 1502 - E-Government IT-OTO - The executive budget recommends: 1) a one-time-only appropriation of \$220,144 in the 2009 biennium, funded from general fund, special revenue funds, and proprietary funds, for a network administrator (1.0 FTE) to coordinate agency network services; 2) for the continued development of Internet-based online registration programs for pesticide, fertilizer and feed products, for training and agricultural events, and for hail insurance; and 3) the implementation of cluster servers to support business continuity. These services are in accordance with the Montana Information Technology Act, the Montana State Strategic Information Technology Plan, and the approved agency information technology plan.

**LFD
COMMENT**

This decision package is funded with one-time-only funds. However, a portion of the funding (\$96,297 general fund) is for the network administrator position. Continued funding for this position will likely be requested in the 2009 Legislative Session.

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	60.17	1.50	2.50	64.17	2.50	2.50	65.17	65.17
Personal Services	2,469,589	540,241	121,499	3,131,329	603,875	121,745	3,195,209	6,326,538
Operating Expenses	1,049,480	362,760	55,216	1,467,456	393,951	55,336	1,498,767	2,966,223
Equipment	163,434	333,500	50,000	546,934	2,500	0	165,934	712,868
Grants	3,158,848	60,000	0	3,218,848	782,962	0	3,941,810	7,160,658
Transfers	0	0	5,000,000	5,000,000	0	0	0	5,000,000
Debt Service	2,282	0	0	2,282	0	0	2,282	4,564
Total Costs	\$6,843,633	\$1,296,501	\$5,226,715	\$13,366,849	\$1,783,288	\$177,081	\$8,804,002	\$22,170,851
General Fund	101,341	0	5,226,715	5,328,056	0	177,081	278,422	5,606,478
State/Other Special	4,927,387	1,076,358	0	6,003,745	1,170,979	0	6,098,366	12,102,111
Federal Special	1,814,905	220,143	0	2,035,048	612,309	0	2,427,214	4,462,262
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$6,843,633	\$1,296,501	\$5,226,715	\$13,366,849	\$1,783,288	\$177,081	\$8,804,002	\$22,170,851

Program Description

The Agricultural Sciences Division (ASD) administers, manages, coordinates, and evaluates the major activities of: 1) pesticide and pest management; 2) analytical laboratory services; 3) noxious weed management; 4) agricultural chemical groundwater program; 5) feed and fertilizer program; 6) organic certification; and 7) commodity programs. Duties also include administering agricultural programs related to the production, manufacturing, and marketing of commodities exported from or distributed in the state. The program provides support to the Montana Noxious Weed Management Advisory Council, Noxious Weed Seed Forage Advisory Council, Montana Noxious Weed Summit Advisory Council, Montana Organic Commodity Advisory Committee, Montana Mint Committee, and the Cooperative Agricultural Pest Survey Advisory Council.

Program Highlights

Agricultural Sciences Division Major Budget Highlights	
♦	The executive proposes a one-time-only \$5.2 million general fund transfer to the noxious weed trust fund to bring the principal of the fund to \$10 million in order to increase moneys available for grants to county and other weed districts, research, and education.
♦	The executive restores and increases one-time-only funding from the 2007 biennium for Bovine Spongiform Encephalopathy (BSE) livestock feed inspections and testing , \$0.4 million
♦	The executive recommends adding 1.50 FTE to address present law workload increases for cherry inspections and assistance to private pesticide applicators
Major LFD Issues	
♦	The goals and performance measures of the BSE and noxious weed trust fund proposals describe staff activities rather than the policy driving the request

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the Governor.

Program Funding Table Agricultural Sciences Division							
Program Funding		Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000	Total General Fund	\$ 101,341	1.5%	\$ 5,328,056	39.9%	\$ 278,422	3.2%
	01100 General Fund	101,341	1.5%	5,328,056	39.9%	278,422	3.2%
02000	Total State Special Funds	4,927,387	72.0%	6,003,745	44.9%	6,098,366	69.3%
	02037 Mint Committee	13,847	0.2%	14,279	0.1%	14,274	0.2%
	02068 Noxious Weed Admin Account	2,118,662	31.0%	2,150,637	16.1%	2,560,360	29.1%
	02071 Anhydrous Ammonia Account	22,117	0.3%	26,240	0.2%	26,323	0.3%
	02072 Manuals & Training Account	17,741	0.3%	23,836	0.2%	23,833	0.3%
	02192 Pesticide Groundwater Account	664,606	9.7%	1,117,636	8.4%	900,852	10.2%
	02193 Pesticide Account	709,806	10.4%	1,041,669	7.8%	944,974	10.7%
	02198 Fert. Groundwater Account	18,893	0.3%	20,498	0.2%	20,705	0.2%
	02264 Organic Certification	114,820	1.7%	137,276	1.0%	137,697	1.6%
	02265 Fsi Produce	175,817	2.6%	218,848	1.6%	218,931	2.5%
	02266 Commodity Dealer/Warehouse	61,020	0.9%	70,305	0.5%	70,956	0.8%
	02267 Nursery Account	95,282	1.4%	101,598	0.8%	101,427	1.2%
	02268 Produce Account	395,756	5.8%	346,796	2.6%	348,527	4.0%
	02269 Seed Account	48,458	0.7%	49,402	0.4%	49,605	0.6%
	02341 Weed Seed Free Forage Account	23,733	0.3%	26,024	0.2%	26,024	0.3%
	02452 Commercial Fertilizer	184,232	2.7%	259,482	1.9%	261,368	3.0%
	02454 Commercial Feed	207,425	3.0%	343,399	2.6%	335,473	3.8%
	02792 Apiary Account	55,172	0.8%	55,820	0.4%	57,037	0.6%
03000	Total Federal Special Funds	1,814,905	26.5%	2,035,048	15.2%	2,427,214	27.6%
	03118 Agriculture Asd Federal	1,814,905	26.5%	2,035,048	15.2%	2,427,214	27.6%
Grand Total		<u>\$ 6,843,633</u>	<u>100.0%</u>	<u>\$ 13,366,849</u>	<u>100.0%</u>	<u>\$ 8,804,002</u>	<u>100.0%</u>

The base amount of general fund, \$101,341 per year, is used to mitigate the impact of noxious weeds on lands other than through the Department of Fish, Wildlife, and Parks. In addition, the Governor recommends a significant general fund increase for two programs: 1) \$403,796 and 2.50 FTE to permanently fund the BSE livestock feed inspections and testing one-time-only initiative from the 2005 Legislature; and 2) \$5.0 million to increase the principal of the noxious weed trust fund to nearly its constitutional \$10 million limit.

State special revenue, the largest funding source for this division, is primarily fees assessed for regulatory activities and technical services. Figure 3 presented later in this narrative lists the various state special revenue funds supporting the activities of this division.

Federal special revenue includes funds from the US Forest Service, US Department of Agriculture, and the Environmental Protection Agency. Federal funds support noxious weed mitigation, portions of the BSE inspections, portions of the pesticide and groundwater programs, and pest detection.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				589,512					605,301	
Vacancy Savings				(122,368)					(122,999)	
Inflation/Deflation				6,788					7,814	
Fixed Costs				25,659					27,802	
Total Statewide Present Law Adjustments				\$499,591					\$517,918	
DP 3001 - Program 30 Base Budget Adjustments										
0.00	0	179,926	219,625	399,551	0.00	0	147,450	609,625	757,075	
DP 3004 - Commodity Bureau										
0.50	0	38,819	0	38,819	0.50	0	38,850	0	38,850	
DP 3005 - Pesticide Program										
1.00	0	58,540	0	58,540	1.00	0	60,309	0	60,309	
DP 3010 - Noxious Weed Trust Fund Grants Increase										
0.00	0	0	0	0	1.00	0	409,136	0	409,136	
DP 3011 - Bozeman Lab Equipment OTO/Biennial										
0.00	0	300,000	0	300,000	0.00	0	0	0	0	
Total Other Present Law Adjustments										
1.50	\$0	\$577,285	\$219,625	\$796,910	2.50	\$0	\$655,745	\$609,625	\$1,265,370	
Grand Total All Present Law Adjustments				\$1,296,501					\$1,783,288	

**LFD
COMMENT**

The statewide present law personal services adjustment includes the implementation and annualization of the FY 2007 pay plan approved by the 2005 Legislature (\$239,000), funds a 0.5 FTE position added in FY 2007 approved by the 2005 Legislature (\$17,600), and restores salaries and benefits for vacancy savings realized in FY 2006 (\$269,000).

DP 3001 - Program 30 Base Budget Adjustments - This executive budget includes \$1,156,626 for the 2009 biennium to increase base year expenditures from state special (SSR) and federal special funds for programs within the division as follows:

1. Anhydrous Ammonia fund (SSR) – a \$3,000 increase for anticipated increases in field office rent, vehicle maintenance, and registration fees for meetings;
2. Manuals and Training fund (SSR) – a \$12,000 increase for training manual development contracts;
3. Groundwater program (SSR) – a \$55,700 increase for the purchase of a four wheel drive pickup and increased field office rent, travel, and for support and contract services for the Laboratory Bureau in Bozeman;
4. Pesticide program (SSR) – a \$113,500 increase for support and service contracts for the Laboratory Bureau, and the pesticide disposal contract;
5. Federal State Inspection Potato program (SSR) – a \$14,936 increase for travel, overtime, and office rent;
6. Nursery program (SSR) – a \$8,000 increase for the Department of Revenue One-Stop contract, supplies, communication, and travel;
7. Feed and Fertilizer programs (SSR) – a \$52,600 increase for support and service contracts, laboratory supplies, lab equipment, and travel for the Laboratory Bureau;
8. Apiary program (SSR) – a \$6,000 increase for program activities;
9. Commodity dealer/warehouse fund (SSR) – a \$5,000 increase to contribute towards purchase of a vehicle;
10. Noxious weed seed forage (SSR) – a \$4,000 increase for supplies;
11. Mint, Noxious Weed Seed Free Forage, Montana Noxious Weed Summit Advisory, Montana Organic Commodity Advisory funds (SSR) – a \$52,540 increase for increased per diem and travel expenditures; and
12. Federal funds – a \$829,250 increase for federal discretionary grants that may become available in the 2009 biennium, and increased costs for contracts, travel, lab equipment and database improvements.

**LFD
COMMENT**

Figure 3 summarizes the requested base adjustments by fund for the 2009 biennium.

Figure 3			
Summary of Expenditures and Funding for DP 3001			
Agricultural Sciences Division - 2009 Biennium Executive Budget			
Category	FY 2008	FY 2009	Biennium
<u>Expenditures</u>			
61200 Hourly Wages	\$3,000	\$3,000	\$6,000
61300 Other Compensation	2,025	2,025	4,050
62100 Other Services	176,956	176,980	353,936
62200 Supplies & Materials	62,200	60,700	122,900
62300 Communications	813	813	1,626
62400 Travel	15,442	15,281	30,723
62500 Rent	17,820	17,981	35,801
62700 Repair & Maintenance	24,450	24,450	48,900
62800 Other Expenses	3,345	3,345	6,690
63100 Equipment	33,500	2,500	36,000
66100 From State Sources	0	450,000	450,000
66200 From Federal Sources	60,000	0	60,000
Total Expenditures	<u>\$399,551</u>	<u>\$757,075</u>	<u>\$1,156,626</u>
<u>Fund</u>			
02037 Mint Committee	\$350	\$350	\$700
02068 Noxious Weed Admin Account	24,020	24,020	48,040
02071 Anhydrous Ammonia Account	1,500	1,500	3,000
02072 Manuals & Training Account	6,000	6,000	12,000
02192 Pesticide Groundwater Account	38,350	17,350	55,700
02193 Pesticide Account	57,500	56,000	113,500
02264 Organic Certification	1,950	1,950	3,900
02265 Fsi Produce	7,456	7,480	14,936
02266 Commodity Dealer/Warehouse	2,500	2,500	5,000
02267 Nursery Account	4,000	4,000	8,000
02341 Weed Seed Free Forage Account	2,000	2,000	4,000
02452 Commercial Fertilizer	7,500	7,500	15,000
02454 Commercial Feed	23,800	13,800	37,600
02792 Apiary Account	3,000	3,000	6,000
03118 Agriculture Asd Federal	<u>219,625</u>	<u>609,625</u>	<u>829,250</u>
Total Funds	<u>\$399,551</u>	<u>\$757,075</u>	<u>\$1,156,626</u>

DP 3004 - Commodity Bureau - The executive budget recommends an additional \$77,669 in state special authority from in the 2009 biennium to hire 0.5 FTE part-time seasonal inspectors in the Commodity Bureau to cover cherry inspections requested by cherry growers. One-half (0.50) FTE is requested for hiring part-time seasonal inspectors to cover cherry inspections. Since 2005, inspection services have been made and provided by existing ASD staff.

**LFD
COMMENT**

The department does not separately track license or assessment fee revenue by produce type. Consequently it is not possible to determine the portion of the cost of the cherry inspections that would be paid by cherry growers.

DP 3005 - Pesticide Program - The executive budget includes \$118,849 additional state special authority in the 2009 biennium to provide the pesticide program with an additional 1.00 FTE agricultural specialist to provide ongoing assistance to private pesticide applicators. The ASD provides licensing, training, compliance assistance, and enforcement inspections for licensing pesticide applicators and dealers in Montana. One FTE is requested to staff a permanent, full-time agricultural specialist in Helena that would provide assistance to private applicators in complying with worker protection regulations, restricted use recordkeeping requirements, pesticide disposal, pesticide application methods, pesticide safety practices, and assistance to the Montana state university extension service in private applicator certification and training.

DP 3010 - Noxious Weed Trust Fund Grants Increase - This request increases state special authority by \$409,136 with the addition of 1.00 FTE in fiscal year 2009 to assist in managing and monitoring an expected increase in the number of grant projects and the anticipated increase in program costs due to the one-time-only general fund transfer in HB XXX.

The Montana Noxious Weed Trust Fund (NWTF) grant program was established by the 1985 Montana Legislature to provide funding for development and implementation of weed management programs in Montana. The Montana Noxious Weed Trust Fund Act is a grant-funding program designed to encourage local cooperative weed management programs, creative research in weed control including the development of biological control methods, and educational programs (80-7-801 through 821, MCA). This request is for \$409,136 in state special fund (02068) appropriation for the increased program costs (80-7-814(5)(d), MCA) that will occur.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The 2005 Montana Weed Management Plan includes an action item to increase the principal of the noxious weed trust fund to \$10 million by the year 2010. The Montana Department of Agriculture (MDA) is therefore proposing an increase in the noxious weed trust fund principle to \$10 million which is the maximum amount permitted under 80-7-811, MCA.

Goal: Increasing the noxious weed trust fund principle to \$10 million will approximately double the interest income that the trust fund provides for weed management. This will allow the department to issue additional grants to county weed districts, local governments, Indian Reservations, and researchers for development of community cooperative weed management programs and new and innovative noxious weed management, education or research projects to improve weed control in Montana.

Performance Criteria: Increased number of grant projects approved in FY 2009.

Milestones:

- One time transfer from the general fund to the noxious weed trust fund on 7/1/2007.
- Additional grant dollars available for funding grant proposals on 7/1/2008.

FTE: The department is proposing the addition of 1.00 FTE. The FTE will assist in managing and monitoring an expected increase in the number of grant projects approved because of increase funding that will be available for funding weed management projects. The new FTE would be hired in FY 2009 because revenue from the trust fund, including the anticipated increase in revenue in FY 2008, is not transferred to the department until the end of the fiscal year.

Funding: Interest generated from the noxious weed trust fund (09034) is transferred annually to the state special fund (02068) per 80-7-816, MCA. The interest varies from year to year, reducing or increasing the amount of funds available to fund the weed grant program.

Obstacles:

- Approval of transfer.

Risk: The Montana Weed Plan estimates \$47 million per year is needed to reduce noxious weed infestations by five percent per year. Building the trust fund to \$10 million would double the investment income generated for sustainable, on the ground weed management in Montana contributing to the funding needed for weed management. For the FY 2007 noxious weed trust fund grant cycle, the department received eighty-seven applications and partially funded seventy-eight. The council had \$2.1 million to award and the total amount requested from the applicants totaled \$3.9 million. If this proposal is not adopted, the Governor's appointed Montana Noxious Weed Summit Advisory Council, the Montana Weed Control Association, and other interested parties will continue to look for funding sources. The funding of the noxious weed trust fund is a priority for many people. A 75 percent majority of Montanans passed a constitutional amendment (CA 40) to protect the fund from legislative uses other than those intended, unless

appropriated by a three-fourth majority of both Houses. The unanimous passage of HB 0266 (2005 Legislature) to clarify the distribution of funds to the noxious weed management special revenue fund reinforces the importance of weed management to all Montanans.

DP 3011 - Bozeman Lab Equipment (OTO/BIEN) - The executive recommends this one-time-only biennial state special authority of \$300,000 to allow the Bozeman Analytical Laboratory to purchase an automated Triple Stage Quadruple Spectrometer System.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3002 - Bovine Spongiform Encephalopathy (BSE)										
30	2.50	226,715	0	0	226,715	2.50	177,081	0	0	177,081
DP 3003 - Noxious Weed Trust Fund OTO										
30	0.00	5,000,000	0	0	5,000,000	0.00	0	0	0	0
Total	2.50	\$5,226,715	\$0	\$0	\$5,226,715	2.50	\$177,081	\$0	\$0	\$177,081

DP 3002 - Bovine Spongiform Encephalopathy (BSE) - The executive budget includes \$403,796 general fund to allow for ongoing inspections and testing of livestock feeds over the 2009 biennium.

The department has been conducting surveillance of interstate, intrastate and US-Canadian border feed ingredients and products for the past two years.

These activities and an additional 2.50 FTE positions were funded through one-time-only general fund appropriated during the 2005 Legislative session. These activities were in addition to the Bovine Spongiform Encephalopathy Rule inspections funded through a federal contract with the United States Food and Drug Administration. The department has not found any prohibited feed ingredients distributed in Montana during this period.

The department is requesting continued support of feed safety activities in FY 2008 and FY 2009. This decision package proposes continued support of the 2.50 FTE positions (1.00 FTE chemist and 1.50 FTE agricultural specialists), operational budget, and purchase of a real-time Polymerase Chain Reaction equipment for laboratory analyses. The total cost of this proposal from general fund is \$403,796 for the biennium.

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The proposal will allow continued surveillance of feed ingredients and products being distributed into the state of Montana and ensure the most current analytical method is available for feed monitoring.

Goals: To conduct regular surveillance at the US Ports of Entry at Sweetgrass and Raymond where the majority of non-domestic commercial feed and feed ingredients transit into the state. During inspections, samples of commercial feed materials will be collected for monitoring of safe feed ingredients in ruminant feeds. Other ports may be randomly visited to conduct surveillance for sample collection and analysis. Surveillance inspections may also be conducted at Montana Department of Transportation (MDT) check points (weigh stations). Analysis may include Feed Chek to detect undeclared animal proteins, Polymerase Chain Reaction to identify prohibited species animal protein (caprine, ovine, bovine) and microscopy to check types of animal tissue present. Materials found to have prohibited feed materials will be embargoed to prevent the introduction of unapproved feed ingredients or products into Montana feed.

Performance Criteria: The Director of the Montana Department of Agriculture will monitor the performance of surveillance activities at the US Ports of Entry and progress of implementing new analytical methods. This will be

accomplished by review of performance reports submitted quarterly by the department's Feed program and Laboratory.

- Conduct 52 inspections trips to transportation sites per fiscal year.
- Collect samples that represent the types and volume of feeds entering the state.
- Perform analysis on collected feed samples.

Milestones:

Major milestones include the following:

- Performance reports submitted to the director for review on a quarterly basis.
- Recommendation of continued feed surveillance activities at the end of each fiscal year. The report will include proposed changes in the implementation of surveillance activities based on a risk analysis to meet program goals and objectives and industry needs.
- Continued assurance of the protection of livestock industry in Montana.

FTE: Continuance of 2.50 FTE approved by the 2005 Legislature, including the proposed 1.50 FTE grade 14 agricultural specialists responsible for conducting inspections, sampling, and investigations, and 1.0 FTE grade 15 chemist at the Bozeman Analytical Laboratory responsible for conducting analytical testing of submitted feed materials and preparing analytical test reports.

Funding: General fund. The executive budget fully utilizes the state special revenue source for current activity and revenue is insufficient to cover the proposed additional activities. Other commodity state special revenues are statutorily mandated to be used for the program activities for which they are derived. The program does not receive other sources of revenue for these activities.

Obstacles:

- Weather could postpone travel necessary to reach ports for surveillance activities.
- Resources to support increased feed activities in the event of other emergency activities (Bovine Spongiform Encephalopathy disease presence in Montana).

Risks: Without this program the Department cannot provide additional assurance that only safe feed ingredients in ruminant feeds are being distributed in Montana in regard to Bovine Spongiform Encephalopathy.

LFD ISSUE	<p>What is the Policy Goal?</p> <p>The department states the goal is to conduct surveillance at US ports of entry and analyze samples collected. This describes staff activities rather than the policy goals underlying the activity. The legislature may wish to ask the types of questions listed below when debating the funding options of this decision package:</p> <ul style="list-style-type: none"> ○ What is the policy goal driving the request to increase funding increased surveillance and sample analyses? ○ Is it to provide additional assurance that only safe feed ingredients in ruminant feeds are being distributed in Montana in regard to BSE (as summarized in the risk statement?) If so, how much "additional" assurance is needed to reach the goal? ○ The question then becomes, how will the legislature, or the executive, or the public know when the goal has been achieved? ○ What are the key performance measures of achieving this goal? ○ How long would it take to achieve this goal and who will monitor progress? ○ How much would it cost to achieve the goal? What other resources might be necessary to implement this goal? ○ What is at stake if the goal is not achieved? What would be the impact on agriculture and tourism if the goal is not achieved?
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DP 3003 - Noxious Weed Trust Fund OTO - The executive budget recommends a \$5,000,000 one-time-only general fund transfer to the noxious weed trust fund to bring the principal of the trust fund to nearly \$10 million (80-7-814(b), MCA) and increase funding for development and implementation of weed management programs in Montana, per the 2005 Montana Weed Management Plan which includes this proposal as an action. Increasing the noxious weed trust fund principal to \$10 million will approximately double the interest income that the trust fund provides for weed management. The principal in the noxious weed trust fund was approximately \$4.7 million in August 2006.

The Montana Noxious Weed Trust Fund (NWTF) grant program was established by the 1985 Montana Legislature to provide funding for development and implementation of weed management programs in Montana. The Montana Noxious Weed Trust Fund Act is a grant-funding program designed to encourage local cooperative weed management programs, creative research in weed control, including the development of biological control methods, and educational programs (80-7-801 through 821, MCA).

The following information is provided so that the legislature can consider various performance management principles when examining this proposal. It is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The 2005 Montana Weed Management Plan includes an action item to increase the principal of the noxious weed trust fund to \$10 million by the year 2010. The department is therefore proposing an increase in the noxious weed trust fund principal to \$10 million which is the maximum amount permitted under 80-7-811, MCA.

Goal: To issue additional grants to county weed districts, local governments, Indian Reservations, and researchers for development of community cooperative weed management programs and new and innovative noxious weed management, education or research projects to improve weed control in Montana.

Performance Criteria: Increased number of grant projects approved in FY 2009.

Milestones:

- One time transfer from the general fund to the noxious weed trust fund on 7/1/2007.
- Additional grant dollars available for funding grant proposals on 7/1/2008.

FTE: The department is proposing the addition of 1.00 FTE to assist in managing and monitoring an expected increase in the number of grant projects approved because of increase funding that will be available for funding weed management projects. The new FTE would be hired in FY 2009 because revenue from the trust fund, including the anticipated increase in revenue in FY 2008, is not transferred to the department until the end of the fiscal year.

Funding: The funding for the one time transfer to the noxious weed trust fund is proposed to be state general fund. Interest generated from the noxious weed trust fund is transferred annually to the state special fund per 80-7-816, MCA. The interest varies from year to year, reducing or increasing the amount of funds available to fund the weed grant program.

Obstacles:

- Approval of transfer.

Risk: The Montana Weed Plan estimates \$47 million per year is needed to reduce noxious weed infestations by five percent per year. Building the trust fund to \$10 million would double the investment income generated for sustainable, on the ground weed management in Montana contributing to the funding needed for weed management. For the FY 2007 noxious weed trust fund grant cycle, the department received eighty-seven applications and partially funded seventy-eight. The council had \$2.1 million to award and the total amount requested from the applicants totaled \$3.9 million. If this proposal is not adopted, the Governor's appointed Montana Noxious Weed Summit Advisory Council, the Montana Weed Control Association, and other interested parties will continue to look for funding sources. The funding of the noxious weed trust fund is a priority for many people. A 75 percent majority of Montanans passed a

constitutional amendment (CA 40) to protect the fund from legislative uses other than those intended, unless appropriated by a three-fourth majority of both Houses. The unanimous passage of HB 0266 (2005 Legislature) to clarify the distribution of funds to the noxious weed management special revenue fund reinforces the importance of weed management to all Montanans.

**LFD
ISSUE**

The department states the goal is to increase the principal of the noxious weed trust fund which increases grants for weed management, cooperative programs, and research. This kind of goal describes staff activities rather than the policy goals underlying the activity. The legislature may wish to ask the types of questions listed below when debating the funding options of this decision package:

- What is the policy goal driving the request to increase funding for weed management, cooperative programs, and research?
- Is it to reduce weed infestations in Montana? Eliminate it?
- The question then becomes, how will the legislature, or the executive, or the public know when the goal has been achieved?
- What are the key performance measures of achieving this goal?
- How long would it take to achieve this goal and who will monitor progress?
- How much would it cost to achieve the goal? What other resources might be necessary to implement this goal?
- What is at stake if the goal is not achieved? What would be the impact on agriculture, forestry, recreation, and tourism if the goal is not achieved?

Proprietary Rates

Proprietary Program Description

The Alfalfa Leaf-cutting Bee Program (fund 06011) was established in Title 80, Chapter 6, Part 11, MCA. The Alfalfa Seed Committee establishes standards for pathogens and parasites, certification of bees, and management of the program in cooperation with the department. Department personnel perform field and laboratory duties for the committee.

Proprietary Revenues and Expenses

The Alfalfa Leaf-cutting Bee Program is funded from lab and registration fees and investment earnings from fund balance. The executive budget includes a base adjustment of \$1,950 per year.

Proprietary Rate Explanation

Fees are charged for certification and registration of alfalfa leaf-cutter bees in Montana and for laboratory expenses. The fees are set by rule. There is a one-time \$15 registration fee for alfalfa leaf-cutting bee owners. There is a \$30 certification fee per sample for certifying samples. There is a \$30 fee for sample analysis per sample, and if requested an additional fee of \$20 for sex ratio and percent emergence. Rates are \$30 for a minor A license and \$15 for a minor B license.

2009 Biennium Report on Internal Service and Enterprise Funds							
Fund 6011	Fund Name Alfalfa Leaf Cutting Bee	Agency # 62010	Agency Name Agriculture	Program Name Ag Sciences Division			
		Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:							
Fee revenue							
Revenue from Lab Fee		530	660	240	550	550	550
Revenue from Registration Fee		-	90	1,140	-	-	-
Net Fee Revenue		530	750	1,380	550	550	550
Investment Earnings		50	112	270	200	250	250
Securities Lending Income		-	-	5	-	-	-
Premiums		-	-	-	-	-	-
Other Operating Revenues		4	2	-	-	-	-
Total Operating Revenue		584	864	1,655	750	800	800
Operating Expenses:							
Personal Services		75	-	-	150	100	100
Other Operating Expenses		436	642	622	1,006	2,475	2,475
Total Operating Expenses		511	642	622	1,156	2,575	2,575
Operating Income (Loss)		73	222	1,033	(406)	(1,775)	(1,775)
Nonoperating Revenues (Expenses):							
Gain (Loss) Sale of Fixed Assets		-	-	-	-	-	-
Federal Indirect Cost Recoveries		-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Operating Transfers		73	222	1,033	(406)	(1,775)	(1,775)
Contributed Capital		-	-	-	-	-	-
Operating Transfers In (Note 13)		-	-	-	-	-	-
Operating Transfers Out (Note 13)		-	-	-	-	-	-
Change in net assets		73	222	1,033	(406)	(1,775)	(1,775)
Total Net Assets- July 1 - As Restated		6,784	6,857	7,079	8,112	7,706	5,931
Prior Period Adjustments		-	-	-	-	-	-
Cumulative effect of account change		-	-	-	-	-	-
Total Net Assets - July 1 - As Restated		-	-	-	-	-	-
Net Assets- June 30		6,857	7,079	8,112	7,706	5,931	4,156
60 days of expenses							
(Total Operating Expenses divided by 6)		85	107	104	193	429	429
Requested Rates for Enterprise Funds							
Fee/Rate Information							
		Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Fee Group A							
Certified Samples		30	30	30	30	30	30
Sample Analysis		30	30	30	30	30	30
Sex Ratio		20	20	20	20	20	20
Fee Group B							
Registration		15	15	15	15	15	15
The Alfalfa Leaf-cutting Bee Program was established in 1981. The Alfalfa Seed Committee establishes standards for pathogens and parasites, certification of bees, and management of the program.							

Program Proposed Budget

The following table summarizes the total executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	38.37	0.00	0.00	38.37	0.00	0.00	38.37	38.37
Personal Services	1,103,815	442,771	0	1,546,586	447,597	0	1,551,412	3,097,998
Operating Expenses	1,547,826	275,765	0	1,823,591	174,863	0	1,722,689	3,546,280
Equipment	61,091	0	0	61,091	0	0	61,091	122,182
Grants	1,025,271	25,000	0	1,050,271	25,000	0	1,050,271	2,100,542
Total Costs	\$3,738,003	\$743,536	\$0	\$4,481,539	\$647,460	\$0	\$4,385,463	\$8,867,002
General Fund	332,822	29,475	0	362,297	31,104	0	363,926	726,223
State/Other Special	3,143,806	482,109	0	3,625,915	483,487	0	3,627,293	7,253,208
Federal Special	6,137	18,863	0	25,000	18,863	0	25,000	50,000
Proprietary	255,238	213,089	0	468,327	114,006	0	369,244	837,571
Total Funds	\$3,738,003	\$743,536	\$0	\$4,481,539	\$647,460	\$0	\$4,385,463	\$8,867,002

Program Description

The Agricultural Development Division (ADD) administers programs to promote Montana agriculture through market development and enhancement. Assistance is given toward commercialization of traditional as well as innovative agricultural products and processes. The program provides support to the Alfalfa Seed Committee, the Montana Wheat and Barley Committee, the Montana Agricultural Development Council, and the Board of Hail Insurance. The division is comprised of the following bureaus: Rural Development, Wheat and Barley, Agriculture Marketing & Business Development and the State Grain Laboratory. The State Grain Laboratory provides grades, protein determinations, malting barley germination, and falling number tests for contract settlement prices between buyers and sellers of grain crops in Montana.

Program Highlights

Agricultural Development Division Major Budget Highlights	
◆	A significant increase in personal services is attributable to an unusually high vacancy savings rate in FY 2006

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as recommended by the Governor.

Program Funding Table						
Agricultural Development						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 332,822	8.9%	\$ 362,297	8.1%	\$ 363,926	8.3%
01100 General Fund	332,822	8.9%	362,297	8.1%	363,926	8.3%
02000 Total State Special Funds	3,143,806	84.1%	3,625,915	80.9%	3,627,293	82.7%
02040 Wheat & Barley Research & Mktg	2,130,666	57.0%	2,146,546	47.9%	2,147,248	49.0%
02066 Agriculture In Mt Schools Act.	6,515	0.2%	10,574	0.2%	10,573	0.2%
02268 Produce Account	4,836	0.1%	5,000	0.1%	5,000	0.1%
02340 Coal Sev. Tax Shared Ssr	508,514	13.6%	625,609	14.0%	623,591	14.2%
02453 Grain Services	486,650	13.0%	815,251	18.2%	817,947	18.7%
02461 Alfalfa Seed Assessment	6,609	0.2%	21,501	0.5%	21,500	0.5%
02466 Misc Ag Donations	16	0.0%	1,434	0.0%	1,434	0.0%
03000 Total Federal Special Funds	6,137	0.2%	25,000	0.6%	25,000	0.6%
03225 Agriculture Add Federal	6,137	0.2%	25,000	0.6%	25,000	0.6%
06000 Total Proprietary Funds	255,238	6.8%	468,327	10.5%	369,244	8.4%
06052 Hail Insurance	255,238	6.8%	468,327	10.5%	369,244	8.4%
Grand Total	<u>\$ 3,738,003</u>	<u>100.0%</u>	<u>\$ 4,481,539</u>	<u>100.0%</u>	<u>\$ 4,385,463</u>	<u>100.0%</u>

General fund supports division administration, agricultural markets, and agriculture statistic functions.

State and other special revenue consist of wheat and barley sales taxes, coal severance tax collections, grain testing fees, alfalfa seed assessments, private donations, income tax check offs for Agriculture in Montana Schools, and interest earnings. The Growth Through Agriculture (GTA) program receives a share of 5.46 percent of coal severance tax collections to fund grants and operations of the Agriculture Development Council for the Montana Growth Through Agriculture Act.

Proprietary funds are from Hail Insurance.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				507,029					512,060
Vacancy Savings				(64,433)					(64,638)
Inflation/Deflation				3,060					3,235
Fixed Costs				19,276					20,540
Total Statewide Present Law Adjustments				\$464,932					\$471,197
DP 5004 - Montana State Hail Insurance Database IT/OTO/BIE	0.00	0	0	100,000 *	0.00	0	0	0	0
DP 5005 - Agriculture In Montana Schools	0.00	0	3,985	3,985	0.00	0	3,985	0	3,985
DP 5006 - Alfalfa Seed Committee	0.00	0	15,175	15,175	0.00	0	15,175	0	15,175
DP 5007 - Montana Agricultural Statistics Services Bulletin	0.00	0	1,018	1,018	0.00	0	1,018	0	1,018
DP 5008 - Federal Marketing Appropriation Authority	0.00	0	25,000	25,000	0.00	0	0	25,000	25,000
DP 5014 - Montana Growth Through Agriculture Act CST	0.00	0	133,426	133,426	0.00	0	131,085	0	131,085
Total Other Present Law Adjustments	0.00	\$0	\$153,604	\$278,604 *	0.00	\$0	\$151,263	\$25,000	\$176,263
Grand Total All Present Law Adjustments				\$743,536 *					\$647,460

**LFD
COMMENT**

The statewide present law personal services adjustment is largely driven by the implementation and annualization of the FY 2007 pay plan approved by the 2005 Legislature (\$141,000) and restoration of salaries and benefits for vacancy savings realized in FY 2006.

DP 5004 - Montana State Hail Insurance Database IT (OTO/BIEN) This request is for information technology services totaling \$100,000 in the Hail proprietary fund for FY 2008 to contract for the rewrite and upgrade of the Montana State Hail Insurance Oracle database. Services would be provided in accordance with the Montana Information Technology Act, the Montana State Strategic Information Technology Plan, and the approved agency information technology plan.

DP 5005 - Agriculture In Montana Schools - The executive budget includes an additional \$3,985 of state special revenue authority each year of the 2009 biennium to increase the appropriation for the Agriculture in Montana Schools program at \$10,500 annually.

The Department of Revenue collects voluntary income tax check-off dollars for distribution to the Department of Agriculture. Per 15-30-152, MCA, this money is jointly used by educators and representatives of agricultural organizations for developing and presenting educational programs which give Montana students a better understanding of the role of agriculture in all aspects of society and of how Montana agriculture relates to the rest of the world.

**LFD
COMMENT**

The annual expenditures for this program over the last five years have ranged from \$6,500 to \$12,000; the five-year average is \$9,055.

DP 5006 - Alfalfa Seed Committee - This budget request for \$30,350 in the 2009 biennium provides the Alfalfa Seed Committee with expenditure authority for payment of per diem and research grants. The Alfalfa Seed Committee is administratively attached to the Montana Department of Agriculture per 2-15-3004, MCA. Seven members currently serve on the committee. Funds are available from the alfalfa seed fund (02461).

DP 5007 - Montana Agricultural Statistics Services Bulletin - The executive is requesting an appropriation of \$2,036 for the biennium to allow the Montana Agricultural Statistics Service to spend funds received from the sale of bulletins.

DP 5008 - Federal Marketing Appropriation Authority - This request of \$25,000 federal revenue authority each year is for grants to develop agriculture markets, marketing projects, and related operating costs.

DP 5014 - Montana Growth Through Agriculture Act CST - The executive budget includes \$264,511 of state special revenue authority from the coal severance tax shared account for the Agriculture Development Council that is administratively attached to the department to use for agricultural development project loans.

**LFD
COMMENT**

When combined with the present law base, the total coal severance tax shared account allocated to the department in the executive budget request would be \$625,609 in FY 2008 and \$623,591 in FY 2009. This account is shared with the Department of Natural Resources & Conservation and the Montana State Library. The executive budget over-allocates the available funding in the 2009 biennium. Please refer to the narrative for the Montana State Library in Volume 7 of the Legislative Budget Analysis for the 2009 Biennium for more detailed information on this issue.

Proprietary Rates**Proprietary Program Description
Hail Insurance Program**

The hail insurance program (fund 06052) has been in operation since 1917. The function of the program is to provide low cost hail insurance coverage for many crops grown in Montana to assist producers in recovering their input costs

should there be hail damage. The program insures approximately 1.7 million acres of crops with coverage exceeding \$60 million each year. The program pays for 3.17 permanent FTE and 5.88 seasonal FTE to support program operations. The program is statutorily appropriated under Title 80, Chapter 2, part 2, MCA.

Proprietary Revenues and Expenses

The hail insurance program is funded from premiums, penalties, and investment earnings. Premiums are set by the Board of Hail Insurance and vary by county based on risk. Operating expenses include commissions and benefits paid.

Rate Explanation

Hail premiums charged are set by 80-2-208, MCA, and cannot exceed \$40 per acre for non-irrigated land and \$56 per acre for irrigated land.

2009 Biennium Report on Internal Service and Enterprise Funds								
Fund 6052	Fund Name Hail Insurance	Agency # 62010	Agency Name Agriculture	Program Name Ag Development Division				
			Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:								
Fee revenue								
Net Fee Revenue								
			-	-	-	-	-	-
Investment Earnings								
			61,507	157,809	363,176	360,000	360,000	360,000
Accommodations Tax								
			-	-	-	100	100	100
Securities Lending Income								
			-	-	6,331	-	-	-
Hail Insurance Premium								
			3,741,627	4,644,419	5,801,660	5,000,000	5,000,000	5,000,000
Hail Insurance Premium Penalty & Interest								
			6,094	5,690	8,551	3,000	3,000	3,000
Total Operating Revenue								
			3,809,228	4,807,918	6,179,718	5,363,100	5,363,100	5,363,100
Operating Expenses:								
Personal Services								
			226,367	212,243	238,457	252,829	285,676	286,255
Other Operating Expenses								
			1,722,256	2,940,967	4,393,390	7,064,204	6,879,815	6,792,403
Total Operating Expenses								
			1,948,623	3,153,210	4,631,847	7,317,033	7,165,491	7,078,658
Operating Income (Loss)								
			1,860,605	1,654,708	1,547,871	(1,953,933)	(1,802,391)	(1,715,558)
Nonoperating Revenues (Expenses):								
Gain (Loss) Sale of Fixed Assets								
			-	-	-	-	-	-
Federal Indirect Cost Recoveries								
			-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)								
			-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)								
			-	-	-	-	-	-
Income (Loss) Before Operating Transfers								
			1,860,605	1,654,708	1,547,871	(1,953,933)	(1,802,391)	(1,715,558)
Contributed Capital								
			-	-	-	-	-	-
Operating Transfers In (Note 13)								
			-	-	-	-	-	-
Operating Transfers Out (Note 13)								
			(13,732)	(37,659)	(69,038)	(33,732)	(69,038)	(69,038)
Change in net assets								
			1,846,873	1,617,049	1,478,833	(1,987,665)	(1,871,429)	(1,784,596)
Total Net Assets- July 1 - As Restated								
			5,285,218	7,132,092	8,749,141	10,227,974	8,240,309	6,368,880
Prior Period Adjustments								
			1	-	-	-	-	-
Cumulative effect of account change								
			-	-	-	-	-	-
Total Net Assets - July 1 - As Restated								
			-	-	-	-	-	-
Net Assets- June 30								
			7,132,092	8,749,141	10,227,974	8,240,309	6,368,880	4,584,284
60 days of expenses								
			324,771	525,535	771,975	1,219,506	1,194,249	1,179,776
(Total Operating Expenses divided by 6)								
Requested Rates for Enterprise Funds								
Fee/Rate Information								
			Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Premium			1.5	1.5	1.5	1.5	1.5	1.5
Hail premiums are set by the Board of Hail Insurance and vary by county based on risk. The Hail Insurance Program has been in operation since 1971. The function of the program is to provide low cost hail insurance coverage for any crop grown in Montana to assist producers in recovering their input costs should there be hail damage. The program insures approximately 1.4 million acres of crops with coverage exceeding \$30 million each year. The Hail Board establishes the rates. There are 56 zones, of which each could have it's own separate rate.								

Proprietary Program Description

Montana Beginning Farmer/Rancher Loan Program

The Montana Beginning Farmer/Rancher Loan Program (fund 06016) is a tax-exempt bond program designed to assist beginning farmers/ranchers in the state of Montana to acquire agricultural property at lower interest rates. The program enables lenders, individuals, partnerships, corporations, and other entities to receive federally tax-exempt interest with respect to a loan or contract sale made to a qualifying beginning farmer/rancher. The financial institution, after arranging the loan or sales contract, will obtain from the Montana Agriculture Loan authority (the authority) a federally tax-exempt bond in the amount of the loan or unpaid balance. The loan and its collateral will be assigned to the financial institution as security for the bond. In the case of a contract sale, the contract will be entered into by the authority, and the Financial Institution will receive the bond to evidence the authority's obligations under the contract. The authority's right, title and interest in the contract will then be assigned to the beginning farmer/rancher who assumes payment obligations of the

authority under the contract. Once the program is operational, it will fund a 0.50 FTE and related operating expenses. The FTE will not be filled until revenue will support it. The program is statutorily appropriated under Title 80, Chapter 12, Part 2, MCA.

Proprietary Revenues and Expenses

The Montana Beginning Farmer/Rancher Loan Program is funded from loan fees and investment earnings on the fund balance. Loans made are recorded as operating expenses. No loans were issued in the 2007 biennium.

Rate Explanation

Applicants pay a \$50 application fee and a loan participation fee of 1.5% of the value of the bond.

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Fund	Fund Name	Agency #	Agency Name	Program Name		
6016	Beginning Farm/Ranch Loan Prg	62010	Agriculture	Ag Development Division		

	Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:						
Fee revenue						
Beginning Farm Ranch Loan Fees	3,300	25	-	56,000	61,000	60,000
Net Fee Revenue	3,300	25	-	56,000	61,000	60,000
Investment Earnings	14	12	23	50	50	50
Securities Lending Income	-	-	-	-	-	-
Premiums	-	-	-	-	-	-
Other Operating Revenues	-	-	-	-	-	-
Total Operating Revenue	3,314	37	23	56,050	61,050	60,050
Operating Expenses:						
Personal Services	-	-	-	-	-	-
Other Operating Expenses	3,343	-	-	58,200	58,200	58,200
Total Operating Expenses	3,343	-	-	58,200	58,200	58,200
Operating Income (Loss)	(29)	37	23	(2,150)	2,850	1,850
Nonoperating Revenues (Expenses):						
Gain (Loss) Sale of Fixed Assets	-	-	-	-	-	-
Federal Indirect Cost Recoveries	-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Operating Transfers	(29)	37	23	(2,150)	2,850	1,850
Contributed Capital	-	-	-	-	-	-
Operating Transfers In (Note 13)	-	-	-	-	-	-
Operating Transfers Out (Note 13)	-	-	-	-	-	-
Change in net assets	(29)	37	23	(2,150)	2,850	1,850
Total Net Assets- July 1 - As Restated	2,316	2,287	2,324	2,347	197	3,047
Prior Period Adjustments	-	-	-	-	-	-
Cumulative effect of account change	-	-	-	-	-	-
Total Net Assets - July 1 - As Restated	-	-	-	-	-	-
Net Assets- June 30	2,287	2,324	2,347	197	3,047	4,897
60 days of expenses						
(Total Operating Expenses divided by 6)	557	-	-	9,700	9,700	9,700
Requested Rates for Enterprise Funds						
Fee/Rate Information						
	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Fee Group A	-	-	-	-	-	-
% of loan balance	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%